

PUBLIC DISCLOSURE

AUGUST 25, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

NORTH ABINGTON CO-OPERATIVE BANK

6 HARRISON AVENUE

ABINGTON, MA 02351

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **North Abington Co-operative Bank (or the "Bank")** prepared by the Division, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The overall rating of satisfactory is based on the five criteria that encompass the CRA regulation for small institutions. North Abington Co-operative Bank is considered to meet the standards for satisfactory performance in all of the areas with the exception of lending inside and outside the assessment area, which does not meet the standards for satisfactory performance.

The Bank's net loans to total deposits as reported in the Federal Deposit Insurance Corporation ("FDIC") call reports were reviewed for the quarters beginning September 30, 2002 through June 30, 2004. The Bank's average net loan to deposit ratio for this time period was determined to be 53.1 percent. In 2002 and through the beginning of 2003, North Abington Co-operative Bank purchased pools of loans that attributed to a growth in the net loan-to-deposit ratios. However, recent data from September 30, 2003 through June 30, 2004 indicates that loan growth has outpaced deposit growth primarily through originations rather than purchases, which was part of the Bank's strategy in 2002. During this time period, net loans increased approximately 23.4 percent, while total deposits increased by approximately 1.8 percent. This indicates the Bank's willingness to extend credit and hence North Abington Co-operative Bank is considered to meet the standards for satisfactory performance.

The Bank's comparison of credit extended inside and outside of the assessment area does not meet the standards for satisfactory performance as a majority of the loans originated over the past two years were outside of the Bank's assessment area. However, it should be noted that the volume of loans has increased significantly from 2002 to 2003 and management expects this trend to continue.

North Abington Co-operative Bank has demonstrated a reasonable distribution of Home Mortgage Disclosure Act ("HMDA")-reportable loans to individuals of low and moderate-income as 16.4 percent of the Bank's originations in the assessment area were granted to low and moderate-income individuals. Based on this, the Bank is considered to meet the standards for satisfactory performance in this area.

There are no low or moderate-income census tracts within the Bank's assessment area. The Bank achieved a reasonable dispersion of lending among the middle and upper-income census tracts, which is proportionate to the representation within the assessment area. The Bank is considered to meet the standards for satisfactory performance in this area.

North Abington Co-operative Bank did not receive any complaints pertaining to the Community Reinvestment Act. In addition, the Bank's fair lending policies and practices are considered reasonable.

PERFORMANCE CONTEXT

Description of Institution

North Abington Co-operative Bank is a state chartered co-operative financial institution headquartered at 6 Harrison Avenue in Abington, Massachusetts. As of June 30, 2004, assets totaled \$74,994,000 of which 47.8 percent are in the form of net loans.

Refer to the following table for additional information on the breakdown of loans.

Loan Portfolio Composition

Loan Type	Amount (000s)	Percent
One to Four-Family Residential Mortgages	\$ 27,071	75.5%
Equity Lines of Credit	\$ 3,746	10.4%
Commercial Real Estate	\$ 2,373	6.6%
Construction and Land Development	\$ 1,386	3.9%
Consumer Loans	\$ 1,279	3.6%
Total Gross Loans	\$ 35,855	100.0%

Source: June 30, 2004 Consolidated Report of Condition.

North Abington Co-operative Bank is primarily a residential lender with 75.5 percent of loans consisting of 1-4 family residential mortgages, followed by equity lines of credit with 10.4 percent, commercial real estate with 6.6 percent, construction and land development with 3.9 percent, and consumer loans with 3.6 percent. During the years under review (2002 and 2003), the Bank purchased 25 loans totaling \$8,966,000. In addition, the Bank sold loans to the Federal Home Loan Bank totaling \$15,777,117.

North Abington Co-operative Bank has strong competition from several financial institutions within its assessment area. In total, there are eight financial institutions operating 12 branches within the three towns that comprise the Bank's assessment area. Financial institutions that are located throughout the assessment area include but are not limited to the following: Harbor One Credit Union, Rockland Trust Company, and Rockland Federal Credit Union, as well as representatives of regional and national banking and mortgage companies. Abington Savings Bank was always considered the Bank's main competitor; however, they were acquired by Sovereign Bank in January of 2004. The market influence from these institutions appears to be significant, and as a result serves to keep the Bank's rates and services offered competitive.

Market share information obtained from PCI Services, Inc. CRA WIZ, based on 2002 aggregate performance data indicates 266 mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions have either originated or purchased residential mortgage loans within the Bank's assessment area. A further analysis indicates that 219 mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions have originated 3,853 residential mortgage loans within the Bank's assessment area during 2002. Out of those 219 lenders, North Abington Co-operative Bank ranked 27th for loan originations.

North Abington Co-operative Bank has continued to progress forward with its CRA efforts. The Bank's most recent CRA evaluation was performed by the Division as of May 26, 2000 and the Bank was assigned an overall rating of "Satisfactory". The FDIC last examined North Abington Co-operative Bank for CRA as of April 20, 1999 and that evaluation resulted in an overall rating of Satisfactory.

Description of Assessment Area

North Abington Co-operative Bank defines its assessment area as the towns of Abington, Rockland, and Whitman. The Towns of Abington and Whitman are located in the Brockton Metropolitan Statistical Assessment Area ("MSA"), while the Town of Rockland is located in the Boston MSA.

According to the 1990 Census Data, the Bank's assessment area contained a total population of 43,180 individuals, of which 2.1 percent are minorities. The census data also indicates the assessment area included 15,926 housing units of which 10,452 or 68 percent are owner-occupied.

According to 2000 census data, the population of the Bank's assessment area was 46,157, of which 4.2 percent are minorities. The assessment area consists of ten census tracts all designated as middle-income, which did not change from the 1990 census data.

The examiners utilized 1990 census data when analyzing 2002 data and 2000 census data when analyzing 2003 data.

The median family incomes for the Boston MSA for 2002 and 2003 are \$74,200 and \$80,800, respectively while the median family incomes for the Brockton MSA for the same time period is \$63,500 and \$70,300. The income figures are based on estimated Department of Housing and Urban Development ("HUD") information. Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

Like much of Massachusetts, the assessment area's housing prices continue to increase significantly. Recent statistics published by the Warren Group show that the area's median home prices for 2003 ranged from a low of \$282,000 in Rockland to a high of \$302,500 in Abington. The average median sales price in the assessment area in 2004 is \$289,800. The continued increase in home prices presents an obvious impediment for many low and moderate-income individuals pursuing homeownership.

Numerous businesses operate throughout the assessment area with over one half located in middle-income census tracts. According to 2003 Business Geodemographic Data, the area has 2,379 businesses. The highest proportion of business establishments are engaged in the service industry. Businesses involved in retail trade and construction also make up a significant share of the establishments. Approximately, 66 percent of the businesses have revenues under \$1 million and over 59 percent employ four or fewer people. The unemployment rate for Plymouth County, which is not seasonally adjusted, has increased from its low of 2.8 percent in 2000 to 5.6 percent in 2003. That is still lower than the unemployment rate for Massachusetts, which was 6.0 percent in 2003.

According to the National Association of Realtors, the number of housing starts in Plymouth County increased from 2002 to 2003. However, this increase is strictly with multi-family housing starts. Single-family home purchases declined in 2003. Plymouth County, as well as other areas to the south of Boston, continues to show strong growth with the extension of the commuter rail and the migration of people moving from the more urban areas of Boston and surrounding communities. However, the escalating cost of housing is creating a demand for more affordable rental housing.

Town of Abington

Abington is a small bedroom community of approximately 13,000 people located 19 miles south of Boston. Abington is primarily a residential community although there are several small and medium size businesses. Abington is bordered by Weymouth on the north, Rockland on the east, Whitman on the south, and Brockton and Holbrook on the west and northwest, respectively.

Town of Rockland

Rockland is located approximately 20 miles southeast of Boston. Rockland is bordered by Weymouth and Hingham on the north, Norwell and Hanover on the east, Hanson on the south, and Whitman and Abington on the West.

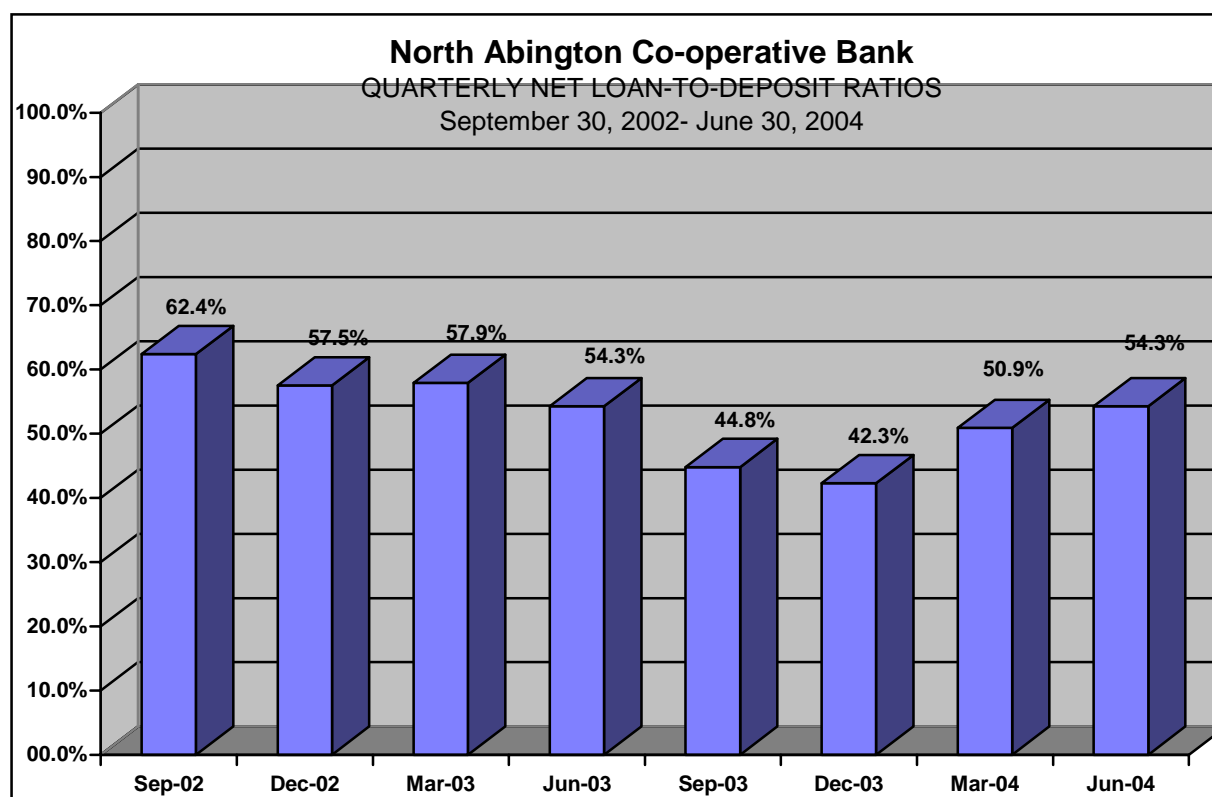
Town of Whitman

Whitman is located approximately 21 miles south of Boston. Whitman is bordered by Abington on the north, Rockland and Hanson on the east, East Bridgewater on the south, and Brockton on the west.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

An analysis of North Abington Co-operative Bank's net loan-to-deposit ratio was performed during the examination. The analysis utilized the last eight quarters of the FDIC Call Report data for this institution. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. The Bank's net loans to total deposits as reported to the FDIC were reviewed from the quarters beginning September 30, 2002 through June 30, 2004. The Bank's average net loan to deposit ratio for this time period was determined to be 53.1 percent. The net loan-to-deposit ratio has also fluctuated over the time period reviewed for several reasons. During 2002 and the beginning of 2003, North Abington Co-operative Bank purchased pools of loans that attributed to the growth in the net loan-to-deposit ratios. Data from September 30, 2003 through June 30, 2004 indicates that loan growth outpaced deposit growth. This growth is attributed to an increase in loan originations. During this time period, net loans increased approximately 23.4 percent, while total deposits increased approximately 1.8 percent. This loan growth occurred during a time in which North Abington Co-operative Bank sold loans to the Federal Home Loan Bank. This indicates the Bank's willingness to extend credit to its assessment area. The following graph depicts the net loan-to-deposit ratio for each quarter under review.



Based on the above information and North Abington Co-operative Bank's capacity to lend, the strong competition from other institutions in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area, the Bank's net loan to deposit ratio is considered to meet the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

North Abington Co-operative Bank's 2002 and 2003 Loan Application Registers ("LAR"s) were reviewed to determine the amount of credit extended within the Bank's assessment area. During this period, the Bank originated or purchased 253 HMDA reportable loans totaling approximately \$41,668,000. Of these loans, 116 or 45.9 percent were originated inside the Bank's assessment area totaling \$15,960,000 or 38.3 percent.

Refer to the following tables for additional information regarding the Bank's HMDA reportable lending, by both number and dollar volume.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2002	39	39.4%	5,413	27.1%	60	60.6%	14,581	72.9%
2003	77	50.0%	10,547	48.7%	77	50.0%	11,127	51.3%
Total	116	45.9%	15,960	38.3%	137	54.1%	25,708	61.7%

Source: 2002/2003 HMDA DATA

As indicated in the table above, less than a majority of loans originated during the examination period were inside the Bank's assessment area. However, the number of loans has increased by 55.6 percent from 2002 to 2003. It should be noted that although only 39.4 percent of the Bank's HMDA-reportable loans were originated within the assessment area in 2002, loans increased significantly in 2003 as 50.0 percent of the loans were originated inside the assessment area. Also during 2002, North Abington Co-operative Bank purchased 22 HMDA-reportable loans totaling \$8,158,000, all of which were outside the Bank's assessment area. During 2003, North Abington Co-operative Bank purchased three HMDA-reportable loans totaling \$808,000 which were also outside the Bank's assessment area. Additional analysis from PCI Services, CRA WIZ indicates that North Abington Co-operative Bank ranks 27th for HMDA reportable-loans originated within the assessment area in 2002. An additional analysis was conducted to identify where the Bank ranked in Abington where its sole office is located. This analysis indicated that North Abington Co-operative Bank ranked 11th for HMDA-reportable loans originated in 2002.

Based on the above information, the analysis indicates that the Bank's comparison of credit extended inside and outside of the assessment area does not meet the standards for satisfactory performance as less than a majority of the loans were granted inside the assessment area.

3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

The Bank's HMDA reportable loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the Boston and Brockton, MA MSA. The income figures are based on estimated HUD information.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following table shows, by number, HMDA-reportable loans to low, moderate, middle and upper-income borrowers in comparison to the percentage of households within the assessment area in each respective income group.

Distribution of HMDA -Reportable Loans Within the Assessment Area to Borrowers of Different Income Levels by Number

Borrower Income Level	Total Households		2002		2003		Total	
	#	%	#	%	#	%	#	%
< 50%	3,544	21.1%	3	7.7%	2	2.6%	5	4.3%
50 – 79%	2,841	16.9%	5	12.8%	9	11.6%	14	12.1%
80 – 119%	3,570	21.2%	14	35.9%	33	42.9%	47	40.5%
> = 120%	6,875	40.8%	17	43.6%	33	42.9%	50	43.1%
Total	16,830	100.0%	39	100.0%	77	100.0%	116	100.0%

Source: HMDA/LAR Data for the period 1/1/02 to 12/31/03

During 2002 and 2003, North Abington Co-operative Bank extended five HMDA-reportable loans to low-income borrowers representing 4.3 percent of total originations within the assessment area. Although this percentage is well below the 21.1 percent of low-income households within the assessment area, there are mitigating factors present that account for this disparity such as competition, the percentage of people living below the poverty level who cannot afford to purchase a home, as well as the escalating prices of homes throughout the assessment area.

In addition, the Bank extended 14 loans to moderate-income borrowers, representing 12.1 percent by number inside the assessment area. The number of loans to moderate-income borrowers is also below the 16.9 percent of moderate-income households within the assessment area.

The distribution of the Bank's loans among various borrower income levels may also be compared to that of all other HMDA-reportable lenders in the assessment area. Other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions, and mortgage companies. The most recent year for this comparison is 2002.

The following table shows the Bank's distribution of loans among borrowers of various income levels compared to that of all other 266 HMDA reportable lenders for calendar year 2002 throughout the Bank's assessment area.

Distribution of HMDA Reportable Loans – Assessment Area North Abington Co-operative Bank Compared to All Other Reporters								
Median Family Income Level	Number of Loans				Dollar Amount of Loans			
	North Abington Coop		All Other Reporters		North Abington Coop		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	3	7.7%	211	4.3%	348	6.4%	21,036	2.5%
Moderate	5	12.8%	810	16.6%	555	10.3%	114,300	13.9%
Middle	14	35.9%	1,552	31.8%	1,932	35.7%	249,454	30.3%
Upper	17	43.6%	1,547	31.7%	2,578	47.6%	289,857	35.2%
NA	0	0.0%	763	15.6%	0	0.0%	149,316	18.1%
Total	39	100.0%	4,883	100.0%	5,413	100.0%	823,963	100.0%

Source: HMDA LAR 2002 HMDA Aggregate Data

As shown above, the Bank's percentage of lending to borrowers of low-income is above the aggregate by number and dollar amount for 2002. North Abington Co-operative Bank originated 7.7 percent by number and 6.4 percent by dollar amount of the total loans within the assessment area to low-income borrowers, compared to the aggregate with 4.3 percent by number and 2.5 percent by dollar amount.

The Bank's HMDA reportable loans originated during 2002 to moderate-income borrowers accounted for 12.8 percent by number and 10.3 percent by dollar amount within the assessment area. Both number and dollar amount were below the aggregates' lending to moderate-income borrowers for 2002 as 16.6 percent by number and 13.9 percent by dollar volume were originated to moderate-income borrowers.

An analysis was performed to determine how the Bank's originations compare to all other lenders within the assessment area. During 2002, the most recent data available, North Abington Co-operative Bank ranked 23rd in lending to low-income borrowers in the assessment area and ranked 43rd in lending to moderate-income borrowers. Overall, the Bank ranked 36th in lending to low and moderate-income borrowers throughout the assessment area.

Based on the information above, the Bank's lending to borrowers of different income levels, including those of low and moderate-income, reflects an adequate performance. Therefore, North Abington Co-operative Bank is considered to meet the standards for satisfactory performance under the distribution of credit among borrowers of different income levels.

4. GEOGRAPHIC DISTRIBUTION

The Bank's HMDA-reportable loans located within the Bank's assessment area were further analyzed to determine their location by census tract income level. The assessment area is comprised of ten census tracts, all which are considered middle-income.

Based on the analysis of the geographic distribution of HMDA-reportable loans, the Bank has successfully penetrated all census tracts throughout the assessment area and has dispersed loans in a manner consistent with the demographics. North Abington Co-operative Bank's performance in this criterion is considered to meet the standards for satisfactory performance.

5. FAIR LENDING POLICES AND PRACTICES

A review of the Bank's public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. In addition, a review of the Bank's residential loan application files was conducted to evaluate its fair lending policies and procedures. There were no discriminatory practices evident in the file review.

A review of applications received from minority individuals during 2002 and 2003 was reviewed as part of the examination. This analysis indicates that North Abington Co-operative Bank only received one application from a minority individual during this time period. This accounts for 0.8 percent of total applications over the past two years.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 6 Harrison Avenue in Abington, Massachusetts.

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction and mailing.

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.